

COMMUNITY DEVELOPMENT FUND

(SU-0020)

EXECUTIVE SUMMARY

Borrower and guarantor:	Government of Suriname (GOS)	
Executing agency:	Community Development Fund of Suriname (CDFS)	
Amount and source:	IDB: (OC)	US\$10.3 million
	Local:	<u>US\$2.5 million</u>
	Total:	US\$12.8 million
Financial terms and conditions:	Amortization Period:	25 years
	Disbursement Period:	4 years
	Interest Rate:	Variable (IFF)
	Supervision and Inspection:	1.00 % of loan
	Credit Fee:	0.75 %
	Currency:	US dollar from Single Currency's Facility
Objectives:	The primary objective of the program is to improve the living conditions, economic opportunities, and social well-being of the poorest communities of Suriname. The program will accomplish this goal through financing of small-scale, locally generated projects that meet the needs of these communities.	
Description:	The project has three components: (a) an investment component that will provide grant financing to support small-scale community-based projects designed to improve social capital, social infrastructure, and economic/productive infrastructure. It is estimated that under this component around 200 projects could be financed over the four years of program implementation. The maximum project cost allowed under the program is US\$75,000 including pre-investment infrastructure, eligible equipment and materials, related training, and supervision and pre-investment. Projects are defined as infrastructure plus local capacity-building training to support the goals of financial, technical, social, and environmental sustainability. At least 30% of these projects financing will benefit Interior communities. About 25% of all	

CDFS projects will be executed by NGOs and CBOs, with CDFS project management support; (b) **a promotion, technical assistance and training component** that will include the program's promotion campaign as well as three different types of technical assistance and training: (i) capacity building and education for CBOs and community members, (ii) technical assistance and support for select NGOs, consultants and contractors involved in the execution of CDFS-funded projects, and (iii) institutional capacity building for the CDFS; and (c) **an administration component** to finance personnel dedicated to the programs administration and project management; local consultants; vehicles and equipment; operations and maintenance of the CDFS facilities; and other recurrent office administration costs.

The CDFS will have a national scope, targeting the poorest communities in urban and rural areas and the Interior. The program will provide a demonstration effect for public agencies on procedures to improve efficiency and effectiveness in responding to local demand and implementing investment programs; and it will increase the capability of the communities to articulate their priority needs and participate in their own development. The proposed design of the CDFS will build on and strengthen the capacity of existing civil society networks but will also support improvements in the institutional capacity of community-based organizations (CBOs) and non-government organizations (NGOs).

Relationship of project in Bank's country and sector strategy:

This operation is consistent with the Bank's strategy in Suriname (Country Paper CP-1292-2) which considers broad-based and sustainable development to be essential to improve the human resource base. Given the deterioration in the quality of social service provision and basic infrastructure, and the incidence of worsening social indicators associated with poverty, the Bank agreed with GOS in supporting the creation of a CDFS. The CDFS is viewed by the Bank and the GOS as one element of a more comprehensive and longer-term framework for social development. The basic policy framework of the strategy involves investments and institutional reforms aimed at improving the living conditions of the poorest population, by increasing their access to health, education, housing, employment and social infrastructure. The nature of these actions were discussed between the Government and civil society. The outcome of this dialogue is reflected in the GOS's official *Agenda for Social Development and Poverty Reduction Strategy*. The Bank agreed to continue accompanying the GOS in the social development process by monitoring progress

on this Plan during CDFS execution and to assist in its implementation where deemed necessary.

Social benefits and impact:

The CDFS program will specifically target the poorest population groups in Suriname. The program's beneficiaries will be from those communities that have the lowest levels of access to basic social and economic infrastructure and that have been neglected or completely unattended by existing Governmental services. Through the small-scale community based investment projects, the program will increase access of these communities to health care, basic education, potable water and sanitation, electricity, training facilities, and other social facilities. Transportation and communications systems will also be improved, thus reducing the isolation of some of the communities in the Interior. Some communities in the Interior will also gain access to productive infrastructure that will relieve some of the work burdens of women and augment their productive capacity. While the program will be national in focus, special attention will be given to reaching the country's most marginalized groups, especially those in the remote rural areas and in the Maroon and Amerindian villages in the Interior. Priority will also be given to those projects that will contribute to improving the living conditions of women, especially single household heads, and that directly benefit children and youth. Community participation at all stages of the project cycle will be a fundamental feature of the CDFS program, including community contribution to project preparation, execution, operation and maintenance.

Environmental feasibility:

As a result of the environmental appraisal of the demonstration projects and based on the final menu of eligible projects, it was concluded that CDFS projects will directly enhance the general living conditions of the poorest communities in the country. In most cases these projects will directly improve the environmental quality of the beneficiary communities, such as in the case of rehabilitation of water supply facilities, sanitation, and drainage systems. Any adverse environmental effect would be minor and controllable through the preventive and mitigating measures included in the Program's Operations Manual. During program preparation, including the demonstration stage, an environmental consultant carried out an environmental assessment and trained local staff who will be involved in program execution to ensure adequate capacity at the executing agency to apply and supervise the environmental criteria and measures to be considered at project preparation, which are included in the Operations Manual. Additionally, the program's Technical Assistance and Training

component will finance activities aimed at increasing the environmental analysis capacity of CDFS staff, NGOs and CBOs.

Risks:

Suriname is currently undergoing a politically volatile period consisting of political challenges to the current Government. Elections are planned for May 2000, raising the possibility of a change in policies and of exercising political influence in CDFS's investment decisions. The design of the program seeks to minimize these risks by: (a) setting up the CDFS as a semi-autonomous foundation; (b) using the financial mechanism of a trust fund to channel IDB and Government resources to the CDFS; (c) introducing a comprehensive list of project selection criteria which should mitigate political intervention in project selection; (d) including a majority of NGO participants on the CDFS Board of Directors to provide continuity through periods of political fluctuation; and (e) locking in an initial project pipeline prepared under close Bank monitoring to ensure transparency in the selection process.

The CDFS is a new concept among communities in Suriname. Potential beneficiaries may initially hesitate to trust the program and challenges securing local commitment to the project may occur. The CDFS needs to build up credibility rapidly by ensuring transparency in its decisions by strict application of its Operations Manual, and efficiency in implementation of the project cycle.

Sustainability of projects may be at risk if communities do not properly operate and maintain their projects. To improve the possibilities of communities to raise revenues for recurrent costs for project operation, training and active involvement of communities and NGOs during preparation will be emphasized by CDFS.

Other risks of the program stem from the newness of the institution and of the capacity and/or willingness of NGOs and private enterprises to participate as effective partners. The technical assistance and institutional component, designed to strengthen the technical capacity of NGOs, line ministries, CDFS professional staff and private sector participants should be stressed in order to mitigate this risk.

Government support during implementation is essential to ensure sustainability of the project and availability of counterpart financing. Inter-institutional agreements have been prepared with key ministries to ensure cooperation, and the 11-member Board of the CDFS contains 5 GOS representatives, including one from the

Special contractual clauses:

President's Office. Therefore, the CDFS should enjoy broad political support as well as active NGO involvement.

The borrower, must comply with the following conditions precedent to first disbursement of the loan:

1. A special foreign currency account held in the name of CDFS has been opened to deposit the Bank loan proceeds (see para. 3.36).
2. A special foreign currency account held in the name of the CDFS has been opened to deposit the Government's counterpart resources (see para. 3.36).
3. An agreed upon Operations Manual for the program is approved by the CDFS Board (see para.2.6).
4. Key CDFS staff satisfactory to the Bank are recruited (see para. 3.8).
5. Inter-institutional agreements are in place (see para. 3.9).
6. Presentation by CDFS of initial report including work plan, statement of sources and uses of funds, a code of accounts, and a revised procurement plan (see para. 3.41).

Other contractual conditions:

1. Up to US\$0.4 million may be recognized as a contribution to the program from beneficiaries (see para. 2.14).
2. Of the US\$2.1 million in GOS counterpart funding, up to US\$360,000 may be recognized retroactively (see para. 3.39).
3. Annual reviews and a midterm review of the program must be carried out (see para. 3.40 and para. 3.45).
4. At midterm review continued disbursements will be conditioned upon satisfactory implementation of the Agenda for Social Development and Poverty Reduction by the GOS (see para. 3.45).

Poverty-targeting and social sector classification:

This operation qualifies as a social equity enhancing project, as described in the indicative targets mandated by the Bank's Eighth Replenishment (Document AB-1704). Furthermore, this operation qualifies as a Poverty Targeted Investment (PTI). The Borrower has requested the 10 additional percentage points in Bank financing allowed for PTI qualified operations (see para. 4.1).

Exceptions to Bank policy:

None.

Procurement: The procurement of goods and works and the contracting of consulting services will be carried out in accordance with the current Bank policy as set out in Annexes B and C to the Loan Contract. Given that the maximum project cost is US\$75,000 no procurement will be carried under International Competitive Bidding (ICB) procedures.